

CIRCULAR LETTER
TO
ALL BANKS, MONEY MARKET BROKERS AND CAPITAL MARKET BROKERS
IN INDONESIA

Subject: Second Amendment to Circular Letter of Bank Indonesia Number 6/21/DPM dated 26 April 2004 concerning the Procedure for Purchasing and/or Selling of Government Bonds by Bank Indonesia in Secondary Market in Open Market Operation..

In relation with the improvement of related Bank Indonesia - Scripless Securities Settlement System (BI-SSSS), and improvement of underlying asset in the implementation of Open Market Operation (OPT), it is deemed necessary to amend Bank Indonesia Circular Letter Number 6/21/DPM dated 26 April 2004 concerning the Procedures of Purchasing and/or Selling of Government Bond (SUN) by Bank Indonesia in Secondary Market in Open Market Operation as amended with Bank Indonesia Circular Letter Number 8/1/DPM dated 27 January 2006, as follows:

I. Stipulation of Chapter I number 12, number 14, number 15, number 16 and number 18 are amended, and to add 1 (one) new number that is number 19, so Chapter I is to be read as follows:

I. GENERAL PROVISION

The terminology used in this Circular Letter has the following meaning:

1. Bank is a commercial bank as referred to in Act Number 7 of 1992

concerning ...

concerning Banking as amended with Act Number 1 of 1998, which is implementing its business activity on conventional basis.

2. Open Market Operation hereinafter referred to as OPT is a transaction activity in money market implemented by Bank Indonesia with Bank and other parties in the framework of monetary management.
3. Purchasing and/or Selling of SUN is the purchasing and/or the selling of SUN by Bank Indonesia in secondary market in OPT implemented with the mechanism of auction and/or non-auction.
4. Government Bond hereinafter referred to as SUN is the Securities in in the form of debt acknowledgement as referred to in Act Number 24 of 2002 concerning Government Bond, which consists of Treasury Bill and Treasury Bond.
5. Treasury Bill is SUN having the maturity up to 12 (twelve) months with interest payment in discount method.
6. Treasury Bond is SUN having the maturity for more than 12 (twelve) months with coupon and/or with interest payment in discount method.
7. Secondary Market is SUN trading activities which have been sold in primary market.
8. Broker is money market broker and capital market broker by referring to prevailing stipulations.
9. Stop-Out Rate hereinafter referred to as SOR is the discount rate or yield arisen from the auction in the framework of achieving certain SUN quantity that shall be purchased/sold by Bank Indonesia.
10. Bank Indonesia – Real Time Gross Settlement System hereafter referred to

as ...

as BI-RTGS System is an electronic transfer system of fund among participants of BI-RTGS System in Rupiah currency which settlement is implemented all at once per transaction individually.

11. Bank Indonesia - Scripless Securities Settlement System hereinafter referred to as BI-SSSS is a transaction means with Bank Indonesia including the administration and securities administration electronically and directly connected the Participants, Operator and BI-RTGS System.
12. SUN Trading Account is securities account used to accommodate SUN ownership record which may be traded and maintained in BI-SSSS by the Central Registry.
13. SUN Transaction Settlement is the settlement consists of SUN securities settlement and fund settlement.
14. SUN Securities Settlement is debiting and crediting activities of SUN account in BI-SSSS in the framework of SUN buying and selling transaction.
15. Fund Settlement is debiting and crediting activities of demand deposit account and/or other accounts through BI-RTGS System in the framework of SUN buying and selling.
16. Settlement Price is the price paid by buyer to seller for SUN buying and selling transaction.
17. Delivery Versus Payment hereinafter referred to as DVP is Securities transaction settlement by way of SUN Securities Settlement implemented at the same time with Fund Settlement.
18. Central Registry is Bank Indonesia that implement Securities administration function for the interest of Bank, Sub-Registry and other parties approved by Bank Indonesia which have securities account in BI-SSSS.

19. Commercial ...

19. Commercial Bank Daily Report System hereinafter referred to as LHBU is the reporting system of Bank to Bank Indonesia in daily method, including providing money market information and announcement from Bank Indonesia.

2. Stipulation of Chapter II letter B number 3 is amended so Chapter II letter B is to be read as follows:

II. CRITERIA OF SUN AND AUCTION PARTICIPANTS

B. Criteria of Auction Participants

1. Parties which may implement SUN buying and/or selling with Bank Indonesia hereinafter referred to as Auction Participants are:
 - a. Bank for its own interest;
 - b. Broker, for bank interest.
2. Broker as referred to in number 1 letter b is:
 - a. money market broker, appointed by Bank Indonesia as broker in OPT transaction;
 - b. capital market broker, which is participating in SUN auction in primary market based on the prevailing Decree of Minister of Finance of the Republic of Indonesia.
3. Auction Participant as referred to in number 1 which may implement SUN buying and/or selling with Bank Indonesia:
 - a. not being suspended in OPT activities; and
 - b. being an active participant of BI-SSSS.
4. Bank as Auction Participant or Bank represented by Broker is obliged to have:

a. sufficient ...

- a. sufficient balance of SUN securities account in Central Registry for SUN securities settlement;
 - b. sufficient balance of rupiah demand deposit account in Bank Indonesia for Fund Settlement.
3. Stipulation of Chapter V is amended, so as to be read as follows:

V. Sanction Imposition

1. In the event of SUN transaction cancellation as referred to in Chapter IV number 4 and Chapter IV number 5, Bank is to be imposed by sanction in the form of :
 - a. Written warning, with a copy to:
 - 1) Related Bank Supervision Directorate, in the case sanction is imposed to Bank having its head office in the working area of Bank Indonesia Head Office ; or
 - 2) Bank Supervision Team – Local Bank Indonesia Office (KBI), in the case sanction is imposed to Bank having its head office in KBI working area; and
 - b. obligation to pay 1⁰/₀₀ (one per thousand) of transaction nominal value which is stated as cancelled or maximum Rp 1,000,000,000.00 (one billion Rupiah).
 - c. Suspended to participate in OPT transaction with Bank Indonesia for 5 (five) working days successively in the case of OPT transaction cancellation at least 3 (three) times within a period of 6 (six) months.
Example of suspended sanction imposition to participate in OPT transaction as referred to in Attachment 3.
2. Imposition of written warning sanction as referred to in number 1 letter a is

to be ...

to be implemented on 1 (one) working day after the transaction cancellation occurred.

3. Imposition of sanction on obligation to pay as referred to in number 1 letter b is to be implemented by debiting the Demand Deposit Account of related Bank in Bank Indonesia on 1 (one) working day after the transaction cancellation occurred.
4. Imposition of sanction of being suspended as referred to in number 1 letter is to be implemented on 1 (one) working day after the transaction cancellation occurred.
4. Appendix 1.b and Appendix 2 are amended, and to add 1 (one) new appendix that is Appendix 3 as referred to in Appendix 1.b, Appendix 2 and Appendix 3 in this Circular Letter.
5. All statements on Money Market Information Center (PIPU) as referred to in procedures of buying and/or selling of Government by Bank Indonesia in Secondary Market in Open Market Operation available before this Circular Letter comes into force is to be read as LHBUS System.

The stipulations in this Circular Letter shall come into force from 7 July 2008.

For the public to be informed, it is ordered that this Bank Indonesia Circular Letter be promulgated in the Official Government Gazette of the Republic of Indonesia.

Please be informed accordingly.

BANK INDONESIA

EDDY SULAEMAN YUSUF

DIRECTOR OF MONETARY MANAGEMENT